

20/20

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Khashoggi Connection

MR. HUGH DOWNS: Tonight, for the first time since the Iran arms deal was revealed these men go public. Adnan Khashoggi, famous as the world's richest person, now key to the story that's rocked the White House.

As an arms broker Khashoggi helped execute our deals with Iran, deals that may have been triggered by the Iranian mystery man Manucher Ghorbanifar.

Just hours ago in exclusive interviews both men told Barbara Walters their stories. Tonight, Barbara reports from France with new revelations on the Khashoggi connection.

(Commercials)

Tonight, through Barbara Walters' exclusive interviews, 20/20 has some answers to questions that all of us have been asking for a month. How did the Iran arms deal get started and who in Iran are we dealing with, and above all else, when did the White House get involved?

Well, this morning at 3:00 eastern time Barbara joined the Arab billionaire arms broker Adnan Khashoggi on his plane for a flight to southern France.

In the Iran arms deal Khashoggi was an intermediary between the United States and Israel on the one hand and those representing Iran on the other. And because he dealt with all sides, he many know more about the big picture than any single person. Reporters have been pursuing him for weeks but only now is he going public.

Barbara has also talked to a key Iranian, the mystery man Manucher Ghorbanifar. He was the conduit to the Iranian government. And he has been so elusive that the Western media have found it virtually impossible even to get his picture.

Now what these two men have to say maybe be self serving but it will add to our information and hopefully will get us closer to the full story.

First, some background on Mr. Khashoggi. Adnan Khashoggi, modern day merchant prince, is a man who lives in two worlds and acts as a bridge between them.

Born in the holy city of Mecca he would become a trader, a deal maker, who would help his country, Saudi Arabia, move headlong into the twentieth century.

He made his first transAtlantic deal, U.S. trucks for Saudi industry while studying in the United States. He bought the trucks with money his physician father had sent to him to purchase a car.

Khashoggi never finished college; the lure of the market place was too great. He had connections to the Saudi royal family and he used them. He became his government's semi-official middleman for everything from state visits to state of the art weaponry. He became a conduit between East and West, between the old world and the new, always for a percentage. He brokered deals for aircrafts, tanks and radar guidance

systems building a huge trading empire that would grow to encompass 38 countries.

Khashoggi does business in style; show bus packed parties, flashy cars, floating palaces, a fleet of personal aircraft, and more than a dozen homes around the world. They range from Kenya to the Spanish Riviera, to New York's 5th Avenue. Two floors of opulence here, sixteen apartments combined into one towering over St. Patrick's Cathedral. It's worth over \$25 million and it has -- well, everything including an olympic size pool that required complete structural renovation 45 stories over Manhattan.

Adnan Khashoggi lives well and plays hard and despite persistent rumors about financial ups and downs, he is considered the worlds wealthiest man.

MS. BARBARA WALTERS: This is where he spends much of his working life, an ultra luxurious DC-8 jetliner. The plane picked up our 20/20 crew at 3:00 this morning for an overnight flight to the French Riviera. It was a journey that provided keys to the complicated dealings that involved Iran, U.S. weapons and the Reagan Administration, dealings in which Khashoggi played a pivotal role.

MS. WALTERS: What was your motivation in getting involved in this whole Iranian situation?

MR. ADNAN KHASHOGGI: Well, it's a funny story. I was in Hamburg. I was told there is carpets that were in the free zone from Iran. So I went to look these carpets.

MR. WALTERS: Carpets?

MR. KHASHOGGI: Carpets, right.

MS. WALTERS: Yes, rugs. Right.

MR. KHASHOGGI: To buy some carpets, rugs. And they were extra carpets which were -- and the government is selling them. So I went there and really they're

beautiful carpets. So in the -- the owner of the carpet invited me for lunch. And we made a nice a little deal, we made him happy, same for me.

So he wanted to give me this lunch. And in this lunch there was this gentleman who, his name is Manucher Ghorbanifar, who represented himself as head of intelligence of the European intelligence for the Prime Minister of Iran.

MS. WALTERS: First time you met him?

MR. KHASHOGGI: First time I met him.

And he took me aside and started telling me how awful what's happening in the Middle East and this war between Iraq and Iran and all this Muslim brother blood is being shed for six years. And he was talking language that I could understand and accept, that really he is seeking peace in a sense, in the area.

So, I said, "Well does your boss agree with you?" He says, "Yes."

MS. WALTERS: The boss is the Ayatollah Khomeini?

MR. KHASHOGGI: Ayatollah, I mean. He says, "Is difficult to do it with the present regime." I said when you want to make peace, you make it with anyone. Like when you want to make war, you make it with anyone.

MS. WALTERS: Yes. So Mr. Ghorbanifar told you that it was possible to make some friendly overtures to the United States?

MR. KHASHOGGI: Right.

MS. WALTERS: Okay.

MR. KHASHOGGI: I went to my government and reported this whole thing, just as any citizen would do that. The government of Saudi Arabia was not interested to deal with anyone that would disturb official channels

of communications because the area is too sensitive and if it is discovered that they were dealing, maybe they would destroy the relationship, and so on.

So I immediately served that information from Saudi Arabia because they didn't want to know anymore about it. And I thought it was more important to inform some of the other leaders about it just so that they are -- who are involved in the Iraq/Iranian war. The Egyptians were one, the Jordanian were the other and I also informed them.

And as I was thinking further -- with this man, I found no reaction from our friends in the Arab world. I asked him if he has any objection to deal with the Americans. And maybe the Americans, since they are the friends of our friends, will handle the matter for him.

He was afraid to deal with the Americans. He said that if anything leaks out, you know the information, they're not secure, the CIA. I said we don't have to deal with the CIA, we deal directly with the President of the country. "Ah, very good," he says. And that's when I wrote my memo to McFarlane. At the same time I give Peres a copy of the memo.

MS. WALTERS: Why did you involve Shimon Peres or the Israelis?

MR. KHASHOGGI: Well, I thought the Americans would not know how to investigate this guy properly because their channels have been cut. And maybe Israeli intelligence can investigate him and confirm to the Americans.

MS. WALTERS: That he's for real?

MR. KHASHOGGI: This is for real.

MS. WALTERS: Yes.

MR. KHASHOGGI: And that's what happened. They did investigate him and they found that he's for real.

MS. WALTERS: Then you set up a meeting between Israelis and Ghorbanifar and other Iranians?

MR. KHASHOGGI: Then that famous meeting in Hamburg.

MS. WALTERS: In Hamburg in late July of '85?

MR. KHASHOGGI: Yes, yes. And which they met some of the leaders of, what they called, of the structure of the Iranian government.

MS. WALTERS: They came from Iran for this meeting?

MR. KHASHOGGI: They came from there.

MS. WALTERS: And this was with David Kimche, the head of the Foreign Office of Israel, and two arms dealers, two Israeli arms dealers?

MR. KHASHOGGI: That's right. No, no, Not arms dealers. There was Mr. Schwimmer who was advisor to President -- Prime Minister Peres and there were two other fellows who, I think, from McFarlane's office. I don't know them. But they were coming as Americans under the umbrella of the Americans. Really Kimche came under the umbrella of the Americans.

MS. WALTERS: And the Iranians at that time thought everybody there was American?

MR. KHASHOGGI: Was American.

MS. WALTERS: They didn't know about Isralies at the time?

MR. KHASHOGGI: No.

MS. WALTERS: And then Mr. Kimche came and talked to Mr. McFarlane, was that correct?

MR. KHASHOGGI: That's right.

MS. WALTERS: And now the deal was on?

MR. KHASHOGGI: Now deal was on. And I was isolated.

MS. WALTERS: You were out of it?

MR. KHASHOGGI: Out of it.

MS. WALTERS: Okay, so it was going to be --

MR. KHASHOGGI: Mission -- accomplished the mission.

MS. WALTERS: Arms were going to be sent --

MR. KHASHOGGI: No, there was no arms to now discuss.

MS. WALTERS: Okay. What was going to happen?

MR. KHASHOGGI: Just to open --

MS. WALTERS: To open some channels?

MR. KHASHOGGI: Channels and support the moderate in their struggle to --

MS. WALTERS: How? In what way?

MR. KHASHOGGI: Well, by communicating with them.

MS. WALTERS: By communicating? Okay.

MR. KHASHOGGI: And seeing how America could reestablish --

MS. WALTERS: Okay. But just open the door? No arms were mentioned now, no hostages yet?

MR. KHASHOGGI: No hostages.

MS. WALTERS: When did arms get into the whole scene?

MR. KHASHOGGI: This is when the Israelis and the Americans started talking, it was upon us --

MS. WALTERS: To give them arms?

MR. KHASHOGGI: Right. No, no.

Give us hostages to prove their influence. If they can deliver the hostages, then we'll open the door. Not for arms deal. The Iranians then said, "Hey, if you want to test us, we want to test you, too."

MS. WALTERS: Right.

MR. KHASHOGGI: Send us 500 TOWS. Nothing, you know, in the armament field. It's just one shipment.

MS. WALTERS: I see. Who --

MR. KHASHOGGI: It was -- everybody was testing the other.

MS. WALTERS: Right. Whose idea was it to release the hostages?

MR. KHASHOGGI: I think -- I think it was out of a discussion between McFarlane and Kimche.

MS. WALTERS: Okay.

The first thing was, "Gee, maybe they'll release our hostages," and the Iranians said, "Okay, you show your faith and send us these arms," that's the 500 TOWS?

MR. KHASHOGGI: That's right. And this is how it was taken, I'm sure, to the level of the President and the President approved it.

MS. WALTERS: How do you know the President approved it?

MR. KHASHOGGI: Because the Israelis were talking that they would not move unless the President approves it.

MS. WALTERS: This is before the first shipment in August?

MR. KHASHOGGI: Right.

MS. WALTERS: Is there anything in writing?

MR. KHASHOGGI: I'm sure they were covered some how in writing.

MS. WALTERS: And when was this?

MR. KHASHOGGI: This must have been in August.

MS. WALTERS: And in August before the first shipment?

MR. KHASHOGGI: And then my friend came back, the Iranian, and said --

MS. WALTERS: Mr. Ghorbanifar?

MR. KHASHOGGI: Mr. Ghorbanifar and said to me that the Iranians would not trust the Americans to give money to them because they're holding some of their money, and the Americans would not trust to send the equipment. So he needed a bridge finance.

MS. WALTERS: Right.

MR. KHASHOGGI: I said, "How much you talking about?" He said, "\$1 million." I said, "For how long?" He said, "Two weeks." I said, "All right, here it is." I gave it to him.

And we put it in a number account according to his instruction. And he gave me in exchange a check from his personal account with -- to cover that.

MS. WALTERS: Was there also an additional \$4 million that you put up?

MR. KHASHOGGI: The next shipment was \$4 million.

MS. WALTERS: And you got paid back?

MR. KHASHOGGI: Those were paid back.

MS. WALTERS: No commission?

MR. KHASHOGGI: No commission.

MS. WALTERS: No interest?

MR. KHASHOGGI: No interest.

MS. WALTERS: No profit? Did the --

MR. KHASHOGGI: At this point -- first of all, it was a very short period of time, you know.

MS. WALTERS: Yes.

MR. KHASHOGGI: And secondly, the purpose of it is bigger. We were talking of peace in the area. I mean I don't act as a man -- I'm a businessman.

MS. WALTERS: Yes.

MR. KHASHOGGI: So I have also an eye on the future, but if peace between Iraq and Iran does come, rebuilding Iraq and Iran is a big thing. So I can see the profit later, not now.

MS. WALTERS: It means more to you then than the little commission now?

MR. KHASHOGGI: That's right.

MS. WALTERS: Ah. When you got the money back you put it in the Swiss account and somebody or other would take it out?

MR. KHASHOGGI: Right.

MS. WALTERS: Do you know who took it out?

MR. KHASHOGGI: Well, in the first two cases the people who were handling the shipments at that time.

MS. WALTERS: The Israelis?

MR. KHASHOGGI: Probably it was the group of them, Nimrodi and Schwimmer.

MS. WALTERS: Schwimmer?

Now, the Israeli situation did not work out, is that correct, and new financial resources were needed?

MR. KHASHOGGI: What happened is that there was difficulties between themselves, between them and the Americans.

MS. WALTERS: The Israelis and the Americans?

MR. KHASHOGGI: The Americans. And so the Prime Minister of Israel put another person from the government liaisoning directly with North of --

MS. WALTERS: To arrange the shipments?

MR. KHASHOGGI: To arrange the shipments. So it became more on a high level government-to-government deal, which was better and -- for everybody. So this way everybody could see. And it took a higher stage because now they trusted each other --

MS. WALTERS: Government-to-government.

MR. KHASHOGGI: And they released one hostage and things started moving.

So, of course, it became a success story and when a success story comes, everybody puts his nose in to try to see how they can make it more successful. Sometimes they ruin. Too many chefs in the kitchen ruin the cooking.

MS. WALTERS: Now, the monies that you were putting out and receiving, you were told to put in an account known as Lake Resources?

MR. KHASHOGGI: Right.

MS. WALTERS: This was after the first shipment?

MR. KHASHOGGI: That's from the \$10 million and the --

MS. WALTERS: The 15 went into an account called Lake Resources?

MR. KHASHOGGI: Right.

MS. WALTERS: Who told you to put it in that account?

MR. KHASHOGGI: Mr. Ghorbanifar.

MS. WALTERS: Mr. Ghorbanifar? Did you yourself ever speak with Lieutenant Colonel Oliver North?

MR. KHASHOGGI: Never.

MS. WALTERS: Did you have any dealings with him?

MR. KHASHOGGI: Never.

MS. WALTERS: You know, your dealings were all with Mr. Ghorbanifar?

MR. KHASHOGGI: Right.

MS. WALTERS: To your knowledge who had access to that Lake Resources account?

MR. KHASHOGGI: I think it was controlled -- we think it was controlled by North.

MS. WALTERS: But do you know that for a fact?

MR. KHASHOGGI: Well, because he's the coordinator.

MS. WALTERS: Right. Mr. Ghorbanifar told you that Lieutenant Colonel North had access to this account?

MR. KHASHOGGI: That's right.

MS. WALTERS: Ghorbanifar; the name crops up again and again in conversations with Khashoggi and others familiar with the Iranian arms deal.

As our trip across the Atlantic in Khashoggi's plane drew to an end, we were closer to meeting Ghorbanifar himself. When the plane touched down in Nice, we transferred to a helicopter for a flight into Monaco. Ahead of us the interview in Monaco with the mysterious Ghorbanifar. When we come back, that meeting in Monte Carlo.

MR. DOWNS: And in that interview you'll hear a new version of how American hostages in Lebanon were released, when we come back.

(Commercials)

MR. DOWNS: Just a short time ago, Barbara met with the man who began the whole transaction, which eventually led the U.S. into delivering arms to Iran. He is an Iranian named Manucher Ghorbanifar and he described himself to Barbara as a businessman dealing with everything from arms to carpets. Actually, informed sources tell us he's the head of intelligence in Europe for the Prime Minister of Iran.

Ghorbanifar, through Saudi businessman Adnan Khashoggi, was put in contact in 1985 with then U.S. National Security Council Advisor Robert McFarlane. He told McFarlane that moderate elements in Iran were open to overtures from the United States.

Now, this is Ghorbanifar's first interview, the first time he's surfaced since the whole affair began, and Barbara met with him at the Monte Carlo apartment of Mr. Khashoggi. She tells us that he was clearly on guard, carefully choosing his words.

MS. WALTERS: Mr. Khashoggi tell us he was working totally on his own without any official ties to his government. Are you working totally on your own?

MR. MANUCHER GHORBANIFAR: Exactly, and he is right. Exactly we are totally on our own and no connection to our governments.

MS. WALTERS: When did the idea of hostages come up and who introduced it?

MR. GHORBANIFAR: When we had the dialogue started and I was pressing and demanding for arms.

MS. WALTERS: Who were you pressing?

MR. GHORBANIFAR: The American people.

MS. WALTERS: Who?

MR. GHORBANIFAR: I mean, this through Mr. Khashoggi and Mr. Laydean (?) I met and --

MS. WALTERS: Mr. Michael Nadine (?)?

MR. GHORBANIFAR: Yes, and Mr. McFarlane, Colonel North, everybody.

MS. WALTERS: You were asking for arms?

MR. GHORBANIFAR: Yes.

MS. WALTERS: Who told you to ask for arms?

MR. GHORBANIFAR: I should say every single Iranian in anywhere in the world should ask for arms for Iran because we are in a bad war.

MS. WALTERS: I see. So first it was --

MR. GHORBANIFAR: We must defend our land, we must defend our country --

MS. WALTERS: Okay. So first it was --

MR. GHORBANIFAR: -- or history.

MS. WALTERS: First it was that the United States opened the doors or get closer to Iran and then you said, "Okay."

MR. GHORBANIFAR: Yes.

MS. WALTERS: Send us arms?

MR. GHORBANIFAR: That's true.

MS. WALTERS: Okay. Then how did the hostages come up?

MR. GHORBANIFAR: It was never and ever a deal like this that give us arms, we give you hostages because no one has the hostages. It has nothing to do with Iranian authorities about the hostages. They are not hostage -- they don't know what is the story of the hostages.

When this came up they told me, "Okay, we give you the arms. Could you also at the same time help us for a better relation-- I should say better understanding that you can help us in a way that our hostages be released from Lebanon?" I told them very clear that it has nothing to do with Iranian authorities, but I can try myself through the channels I know that -- ask them and even press them for --

MS. WALTERS: The channels where?

MR. GHORBANIFAR: In Lebanon.

MS. WALTERS: In Lebanon. Yes.

MR. GHORBANIFAR: Yes, for the release of the hostages.

MS. WALTERS: Right.

MR. GHORBANIFAR: And it worked out.

MS. WALTERS: Did you go to Lebanon?

MR. GHORBANIFAR: Yes, I have been over there.

MS. WALTERS: Did you go to Lebanon to try to get the hostages out?

MR. GHORBANIFAR: Yes, we did.

MS. WALTERS: You did it yourself?

MR. GHORBANIFAR: Yes, we did.

MS. WALTERS: How did you get Benjamin Weir out? Whom did you talk to? Can you tell us any of this?

MR. GHORBANIFAR: For the time being because there are some hostages in that country, it's better we don't discuss it.

MS. WALTERS: But it was your initiative?

MR. GHORBANIFAR: Yes.

MS. WALTERS: Not the Iranian initiative?

MR. GHORBANIFAR: No, it was mine.

MS. WALTERS: Okay. And the idea of arms, those discussions were with Mr. McFarlane?

MR. GHORBANIFAR: Yes.

MS. WALTERS: Did you feel when you had the discussion about arms that the President of the United States knew about these discussions?

MR. GHORBANIFAR: Naturally, the high authorities should know about the shipment of arms.

MS. WALTERS: Are you sure they knew?

MR. GHORBANIFAR: I'm not certain. I'm not a part of them.

MS. WALTERS: But were you told that it went up to the highest authority?

MR. GHORBANIFAR: I never checked with them.

MS. WALTERS: You just assumed that if Mr. McFarlane said it was okay, that it had gone --

MR. GHORBANIFAR: Yes, he wasn't such a high level that he could maybe himself decide about that.

MS. WALTERS: You couldn't imagine that it would not come up?

MR. GHORBANIFAR: Yes.

MS. WALTERS: But were you ever in anyway told that it was anybody above Mr. McFarlane?

MR. GHORBANIFAR: No.

MS. WALTERS: No?

When the arms shipments came through Israeli, did the Iranian government know these shipments were coming from Israeli?

MR. GHORBANIFAR: Definitely no, but what we learn now was never and ever any arms from Israel. Israel was used as a transfer point for the transferring the arms from one plane to the other plane.

MS. WALTERS: Did the Iranians know that Israel was the conduit?

MR. GHORBANIFAR: No.

MS. WALTERS: No?

MR. GHORBANIFAR: Not at all.

MS. WALTERS: Did the Ayatollah Khomeini know, as has been reported?

MR. GHORBANIFAR: No.

MS. WALTERS: He did not?

MR. GHORBANIFAR: No, never.

MS. WALTERS: When did he find out?

MR. GHORBANIFAR: I don't think that he's involved in such a business.

MS. WALTERS: Now, Mr. Khashoggi was the middleman, right?

MR. GHORBANIFAR: Yes.

MS. WALTERS: He was the financial bridge?

MR. GHORBANIFAR: That's true.

MS. WALTERS: Okay. How many shipments, how much money?

MR. GHORBANIFAR: Okay. Mr. Khashoggi acted here on his own, like myself, as a businessman and he gave me some money which they were paid. Only the last payment has not been paid back to him in full. I mean --

MS. WALTERS: Because the shipments stopped

MR. GHORBANIFAR: The shipment was delivered, but a good portion has not arrived and a good number as defective. So that's why the total payment has not been served yet.

MS. WALTERS: How much money was involved in the payments?

MR. GHORBANIFAR: You mean in the last shipment?

MS. WALTERS: In all. In all.

MR. GHORBANIFAR: Well, the total deal --

MS. WALTERS: Yes?

MR. GHORBANIFAR: -- is so small, as the President said, it's a very small deal. It is not so big as it is exaggerated in the press. It was totally around \$35 million altogether.

MS. WALTERS: Around 35? So that's not a lot of arms?

MR. GHORBANIFAR: No, it's a drop in the sea.

MS. WALTERS: What kind of arms?

MR. GHORBANIFAR: They were -- the last part is only spare parts for radar and the first two shipments, they were for the anti-tank missile TOW.

MS. WALTERS: How many?

MR. GHORBANIFAR: About 2000.

MS. WALTERS: Not that small of amount?

MR. GHORBANIFAR: No, but in comparing with the trading of the arms in the world, is a drop in the sea. Is nothing.

MS. WALTERS: Okay. \$35 million, how many shipments?

MR. GHORBANIFAR: It took altogether in -- in six shipments.

MS. WALTERS: Six shipments? Who set the price, the \$35 million?

MR. GHORBANIFAR: This price was coming to us from the American because we were just --

MS. WALTERS: But I mean who said it's going to cost \$35 million? The Americans said it's going to cost you \$35 million?

MR. GHORBANIFAR: Of course.

MS. WALTERS: I see.

MR. GHORBANIFAR: There is nobody -- Mr. Khashoggi didn't make a penny in this deal, either I didn't make a penny. Nobody made a profit in this. We did it just a start for a bigger future. We are not looking for to take five percent or ten percent of such a small deal. Maybe we had in mind to make a deal of \$2 billion a day.

MS. WALTERS: When Iran and Iraq were at peace?

MR. GHORBANIFAR: Yes.

MS. WALTERS: When Iran and Iraq were at peace you thought as businessmen you'd make a lot of money?

MR. GHORBANIFAR: Yes, that's what -- yes.

MS. WALTERS: And now out of \$35 million neither one of you made any money at all, even though you're good businessmen?

MR. GHORBANIFAR: Nobody made the money yet we still -- we owe him \$10 million.

MS. WALTERS: You owe Mr. Khashoggi \$10 million?

MR. GHORBANIFAR: Yes, because we still -- we have not delivered what you were suppose to deliver to my country.

MS. WALTERS: Now, this money was put where?

MR. GHORBANIFAR: In the company called Lake Resources in Geneva.

MS. WALTERS: Who told you to put the money in it?

MR. GHORBANIFAR: American.

MS. WALTERS: Who in America?

MR. GHORBANIFAR: Our contacts?

MS. WALTERS: Who were the contacts, can you tell me? Lieutenant Colonel North?

MR. GHORBANIFAR: Yes.

MS. WALTERS: General Secord?

MR. GHORBANIFAR: Yes.

MS. WALTERS: General Secord? They told you to put the money in Lake Resources?

MR. GHORBANIFAR: Right.

MS. WALTERS: Anyone else?

MR. GHORBANIFAR: No.

MS. WALTERS: These were your only two contacts?

MR. GHORBANIFAR: Yes.

MS. WALTERS: Did you meet with them personally?

MR. GHORBANIFAR: Yes.

MS. WALTERS: Did you ever deal with the CIA?

MR. GHORBANIFAR: No, no can talk, fortunately.

MS. WALTERS: Fortunately?

MR. GHORBANIFAR: We don't want to have any contact with them at all.

MS. WALTERS: With the CIA? To your knowledge did Mr. Casey know anything about this?

MR. GHORBANIFAR: Certainly not.

MS. WALTERS: So you were told to put this money in this Lake Resources account? Who was able to get the money out? Who had access to it?

MR. GHORBANIFAR: We had no objection who takes it out, but we learned just through the news that it is Major General Secord was able to take the money out.

MS. WALTERS: Well, when you talked to Lieutenant Colonel North, what did he tell you?

MR. GHORBANIFAR: What about?

MS. WALTERS: About these shipments? What did he say to you? He said, "Mr. Ghorbanifar, I want you to just take this money and put this in account," or what did he say?

MR. GHORBANIFAR: No. First we put up our request that's what we need --

MS. WALTERS: Yes.

MR. GHORBANIFAR: And then they will go, they study and they come back and they give us a offer.

MS. WALTERS: He was the one you talked to all the time?

MR. GHORBANIFAR: Most of the time.

MS. WALTERS: Did you feel he was acting on his own?

MR. GHORBANIFAR: Yes, and he's a very young man.

MS. WALTERS: You thought -- you didn't think he was acting with anyone above him?

MR. GHORBANIFAR: No, it is not such a big deal. Small shipments. Very small deal.

MS. WALTERS: So you figured he could handle that on his own?

MR. GHORBANIFAR: Yes, he could. He's a very able man. He's a top servant of his country.

MS. WALTERS: Did you have any idea that any of this money was going to the Contras?

MR. GHORBANIFAR: No. How?

MS. WALTERS: And you had no idea, Mr. Khashoggi --

MR. KHASHOGGI: No.

MS. WALTERS: -- that any of this money was going to the Contras?

MR. GHORBANIFAR: How can --

MR. KHASHOGGI: Not -- no.

MS. WALTERS: So all the two of you did was put the money in this account, where it went after that, none of you knew?

MR. GHORBANIFAR: Well, we thought it has gone to the purchasing agency.

MS. WALTERS: How did you feel when you found out that the United States was only getting \$12 million back?

MR. GHORBANIFAR: Okay. We think they will refund.

MS. WALTERS: You thought they'd be found out?

MR. KHASHOGGI: They will refund them.

MR. GHORBANIFAR: They will refund to us.

MS. WALTERS: Oh, you thought they would refund the rest of the money. Ah.

MR. KHASHOGGI: Which means they have overcharged the government for equipment --

MR. GHORBANIFAR: Of course, maybe they had the other costs involved which we don't know for the shipping, packing or transport -- all the other things --

MS. WALTERS: As well as shipping and packing?

MR. GHORBANIFAR: -- which we don't know really what is the fact.

MS. WALTERS: Can you tell us what you think the situation is today? Can America have friendly relations with Iran and what would it take?

MR. GHORBANIFAR: Yes, I think the deal is not dead yet.

MS. WALTERS: No?

MR. GHORBANIFAR: And I refer you to the last statement issued by Speaker of the House, Ayatollah Rafsanjani which he very clearly referred to that. And if you follow, I see great hopes of seeing your hostages released on a better relation in future.

MS. WALTERS: What should we do?

MR. GHORBANIFAR: I refer you again to his statement.

MS. WALTERS: Well, what he said was that there is still possibilities.

MR. GHORBANIFAR: Yes.

MS. WALTERS: But can you give us any idea? Do you think we should keep shipping arms?

MR. KHASHOGGI: He said to deal with the channels that you have been dealing with.

MS. WALTERS: Should we ship arms?

MR. GHORBANIFAR: Not for the time being. It's not the recourse, but it is, as he mentioned, you must be faithful and you must continue your President, as he said, he had the right policy and he was on the right track and I see it in future.

MS. WALTERS: If indeed Iran has no control over the hostages, how can you be certain that if we keep up our relations the hostages will be released?

MR. GHORBANIFAR: This will be my problem.

MS. WALTERS: Ah. Have you had any assurances that if we keep friendly relations with Iran, the hostages will be released?

MR. GHORBANIFAR: They can influence. They are the people that -- they are the same religion, same sect and they believe in the leaderships of the Iranians religious leadership.

MS. WALTERS: Why do they listen to you in particular?

MR. GHORBANIFAR: Because we may also help them in the other fields, the other things they need.

MS. WALTERS: Like what?

MR. GHORBANIFAR: They have demands for a better relation with some others to help them -- they have some problems in some parts of the world.

MS. WALTERS: One hand washes the other?

MR. GHORBANIFAR: Yes.

MS. WALTERS: We establish friendly relations with Iran, that is good for your country, therefore you go to Lebanon yourself and you tried to help have the hostages released?

MR. GHORBANIFAR: Why not?

MS. WALTERS: Why not?

MR. GHORBANIFAR: They're human.

MS. WALTERS: You think this can happen in the near future?

MR. GHORBANIFAR: The human --

MS. WALTERS: Will we have the hostages back in the near future do you see?

MR. GHORBANIFAR: Why not?

MS. WALTERS: Mr. Khashoggi, I'd like to ask you a question about the future. We have problems in our country, not only with Iran, but with other Third World

nations. We wonder so much in our country what are we doing wrong, why can't we have better relations with them? You deal with these countries everyday. What do you think we should do?

MR. KHASHOGGI: In reality at this point all you have to do is leave the business of developing these countries to your American business people who developed America. Today the Americans are successful because of the corporate structures, the management, the know how and the experience that you have created.

So if you put that aid into some kind of an umbrella guarantee and allow every businessman in America to go into Africa and into the Far East and everywhere, they can do more aid program jointly as partner with these countries. And I think if this is made more possible, countries even like Iran who are today in the eyes of the world are hostile because of their fundamental or beliefs, will be open to businessmen.

MS. WALTERS: Do you think American businessmen now could set up businesses in Iran along with the Iranian government? Do you think the climate is right for that?

MR. GHORBANIFAR: Well, not for time being.

MS. WALTERS: Not for the time -- but some day maybe?

MR. KHASHOGGI: Yes, certainly.

MS. WALTERS: Unshellar(?)

MR. KHASHOGGI: Yes, unshellar.

MR. GHORBANIFAR: Unshellar.

MS. WALTERS: Thank you, Mr. Khashoggi. Thank you, Mr. Ghorbanifar.

MR. GHORBANIFAR: Thank you.

MR. KHASHOGGI: Thanks.

MR. DOWNS: Well, we can bet that there's going to be some reaction in Washington to this.

And later on Nightline Ted Kopple will offer some analysis of what Mr. Khashoggi and Mr. Ghorbanifar have had to say tonight.

And I must say that Barbara Walters, better than anybody in the business that I know, is able to get people to agree to be interviewed. That was quite a doubleheader that she pulled off tonight.